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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

FCC MAIL ROOM

In the Matter of

FCC No. 95-281

Amendment of the Commission's)
Rules and Policies to Increase)
Subscribership and Usage of the)
Public Switched Network)

CC Docket No. 95-115

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Consumer Action's Comments on the
Notice of Proposed Rulemaking

The Federal Communications Commission is to be commended for the perspective that it brings to the debate on universal telephone service. The recommendations contained in the Notice of Proposed Rulemaking (FCC No. 95-281, CC Docket No. 95-115) will go far toward achieving historic goals of ensuring that every household which wants telephone service can get it.

In particular Consumer Action (CA) is in strong support of stopping the practice of shutting off local service for non-payment of long distance charges and of making toll restriction universally available.

CA is a non-profit membership organization that focuses on the telecommunications needs of low income and limited-English speaking consumers. Each year we distribute more than one million copies of educational materials, in five languages, through a national network of 2,200 community groups and social service agencies. CA has also been an active participant in a number of proceedings before the FCC and the California Public Utility Commission (CPUC).

While we generally support the FCC recommendations in this Proposed Rulemaking, there are several areas where we think they can be improved. In

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addition, we will be making several suggestions of our own that we urge the FCC to consider.

SPECIFIC COMMENTS

In this section, CA will respond to specific questions set forth by the FCC in its proposed Rulemaking:

P. 1, #1. Differences in telephone subscribership rates can result from many different factors. CA's experience indicates that for limited-English speaking consumers a key issue is the limited availability of educational and marketing materials in a preferred language. A second factor is that all too often advertising and educational efforts are geared only to the mass market. Consumers who would benefit from low income assistance programs may never learn of their existence. A third factor is that means tests result in certain segments of the population, such as African Americans and seniors, avoiding what is seen as a welfare program. For recent immigrants the paper work involved in such means tests creates fear of being deported or being otherwise unfairly singled out.

P. 2, #2. CA is concerned that increased competition and alternative means of providing telephone service will harm, not aid, telephone subscribership. CA has been surveying long distance rates since the breakup of AT&T in the early 1980s. The customer base can be broken up into those relatively few customers whose large toll and long distance bills make them the subject of great attention and discount calling plans, and the bulk of the customers who generate far less revenue.

Competition has reduced the bills of the heavy users of telephone services, while increasing the rates of those who do not. IntraLATA competition in states like California has also forced up monthly telephone charges as commissions have attempted to make the changes revenue-neutral for the local phone company.

The addition of wireless and basic telephone providers will further skew telephone rates as even more companies chase after the same few profitable

customers.

P. 4, #10 ff. CA's work in the community supports the FCC conclusion that the inability to control long distance usage is a major cause of loss of phone service.

We support the FCC's focus on toll restriction and the prohibition of shutting off local phone service for non-payment of long distance charges as being steps that will address this problem. However, we think that education about the cost of long distance calls—both domestic and international—and how to control your own phone bill is equally important.

Before AT&T was broken up detailed, long distance pricing information was provided in every phone book. In addition, the absence of competition meant that long distance call stimulation ads were of the feel good category rather than being focused on "Low Cost." Now consumers are subject to extensive electronic, print and direct mail marketing that focuses on price without clear disclosure as to the conditions that must be met before the pennies-a-minute promise becomes real.

As a result, consumers run up huge long distance bills not understanding that the per-minute cost of an international call can be 10-20 times as high as a short-haul long distance call. When the bill can't be paid, phone service is lost and nothing is in place to permit these customers back on the network.

CA believes that the FCC should prohibit the shutoff of local phone service for non-payment of interstate long distance calls. Such a national policy would force the long distance companies to improve educational efforts and embrace toll restriction plans.

P. 6, #12. As noted above, CA supports toll restriction plans. We think they can serve two purposes:

- For consumers whose service has been shut off for non-payment, toll restriction plans should be part of a program to retain them on the network. Such a program should include: free toll restriction, reconnection of service without payment of a deposit, and six months to pay off the outstanding balance. The same

program should be offered to consumers who have either received a shutoff notice or have notified the local phone company that they are unable to pay their bill.

- For consumers who just wish to prevent interstate toll calls being made from their phone, toll restriction should be offered at a low connection fee with no monthly charges.

P. 8, #17. As noted above, CA believes that there should be no charge to a person who adopts toll restriction to prevent shutoff of phone service. A small connect charge should be permitted for those consumers who merely wish to control their toll calls.

CA believes that consumers who have picked a toll restriction plan should be able to make 800 and 9-1-1 emergency calls. However, collect calls and calling cards should not be permitted as this could result in high long distance calls being charged back to the phone number. CA would urge that the consumer who picks a toll restriction be provided with educational information about pre-paid telephone calling cards.

P. 9, #19. CA doesn't believe that requiring toll restriction plans would negatively impact local competition, as it would apply to all providers of telephone service. We cannot envision any alternative that would work as well.

P. 9, #20. CA would urge long distance carriers to explore the feasibility of setting up toll restriction programs that would permit a certain dollar volume of calls in a given month. We believe that many consumers would welcome such a service. It would be particularly valuable since you only learn the cost of long distance calls once you receive a bill.

P. 10, #23. CA believes that high installation charges are a key deterrent to people signing up for phone service. CA supports the policy in California in which low income consumers can receive service by paying a \$10 installation fee. CA also believes that the California experience shows that self-certification is far more effective than a means test in getting eligible consumers on the telephone network.

Further, CPUC studies have found that fraud is not a problem associated with self-certification.

P. 10, #24. Just adopting a reduced installation charge is not enough, as the FCC notes, to increase telephone subscribership. It must be combined with toll restriction plans.

We oppose limiting improved Link Up benefits only to those who pick toll restriction plans. Instead, steps should be taken to provide all consumers with the tools needed to stay on the network. These include toll restriction plans and improved education as to the cost of using the phone.

CA believes that market forces could have a role. Long distance companies should be encouraged to promote Link Up programs. Once they are allowed to offer local service such promotions will be in their self-interest as well.

P. 11, #26. CA agrees that existing deposit policies are a major deterrent to consumers getting phone service. We support the elimination of deposits for consumers who sign up to block toll calls. Such a program should be available to all consumers—not just those who might be eligible for low income assistance programs. Deposits are a barrier for the working poor who are not eligible for Link Up.

P. 13, #31. As noted before we strongly support a prohibition on shutting off local telephone service for non-payment of interstate long distance charges. In addition, we would urge the FCC to suggest to state commissions that there be a similar prohibition on shutoff for non-payment of intrastate long distance charges.

We agree that a long distance carrier should have the ability to shut off long distance service for non-payment of long distance charges.

P. 15, #36. As noted before, CA strongly supports the replacement of a means test with self-certification. Self-certification has worked in California with no fraud problems. California has been far more successful than other states in getting eligible consumers to sign up and self-certification is a key reason for this.

CA is increasingly concerned with the impact of high installation and monthly service charges on telephone subscribership of the working poor. For example, in General Telephone territory in California, a Lifeline-eligible customer can get flat rate telephone service for one year for only \$77.44 (\$10 installation and \$5.62 a month). At the same time, a three-person household with both parents holding full time jobs paying \$4.50 an hour would have to pay \$253 (\$46 installation and \$17.50 a month) because their income would exceed the Lifeline ceiling. The working poor cannot afford to pay this much for telephone service.

We would support a second tier of low income assistance that would offer a reduced level of Link Up benefits for households who make too much to qualify for Link Up but not enough to be able to afford market rates.

P. 18, #46. CA believes that the scope of any educational efforts should be broad. Consumers need to have information on:

- Low income assistance programs as well as other monthly service plans.
- Enhanced service offers and how to decide if they will be of value. In California, studies have shown that low income consumers are far more likely to sign up for enhanced services which can then result in telephone bills that are excessive.

- Toll restriction plans.
- Long distance rates for domestic and international calls.
- How to control telephone costs in general.

P. 18, # 47. CA urges the FCC to use the CPUC Telecommunications Education Trust (TET) model for its educational program. Under TET, the Commission awarded more than \$20 million in educational grants to consumer and community groups and social service agencies over a five-year period. The program was highly successful and resulted in the creation and distribution of a wide range of materials in a number of languages and formats. CA, as the Repository of these materials, continues free distribution of these materials in bulk through our state-wide

network of some 1,700 community groups and social service agencies.

We strongly oppose the reliance on local or long distance companies to conduct the educational effort. Education needs to be conducted by entities that are not at the same time battling for telephone customers.

Telephone companies should be expected to educate their existing and potential customers as to their rates and services. But, this alone is not enough. Telephone companies tend to shape their "educational efforts" to promote their own offerings at the expense of those offered by other companies. Nor can they be expected to educate the consumer on what to look for in calling plans especially if it would result in the person signing up with another company.

P. 19, #51. As noted above, CA believes that the educational effort must involve entities—such as government and social service agencies and consumer and community groups—that do not have a stake in which company the potential customer signs up for. Consumers need unbiased information in order to make intelligent decisions about signing up for telephone service and their use of the phone.

With funding, such groups can create materials that serve the needs of their community and get them to those consumers who most need the information. Advertising agencies could work with consumer and community groups to bring the educational effort to radio, television and print media outlets.

P. 19, #51. CA believes that the FCC should take steps to create a national fund that would award telephone educational grants to public and private groups. Such an effort could be funded through a small surcharge on interstate telephone calls. (For example, CA supported legislation in California that would have generated \$3-5 million a year through a surcharge that would have only added a penny to a \$50 phone bill.)

We would recommend that the FCC set a surcharge at a level that would support \$25 million in educational grants. CA would suggest that the FCC use the

California TET program as a model for their own program.

P. 19, #52. CA strongly supports self-certification to determine eligibility for low income telephone assistance programs. Such a program keeps administrative costs to a minimum and does not put paperwork barriers in the way of eligible consumers. As mentioned before, such a program has been used in California for years with great success and no fraud problems.

Consumer Action endorses the steps taken by the FCC in this Rulemaking and urges their adoption along with the suggested changes we have outlined in this brief.

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